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Jackson, Charles Cabot

Why legal tender notes must go

New York

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Each number contains a **special discussion** of some Sound Currency question.

No change that can be made in our currency system will afford the relief to which the Government and the people are entitled unless it provides for the retirement and cancellation of the legal tender United States notes. Anything less than this will be simply a palliative, and not a cure, for the financial ills to which the country is now subject. * * *

In my opinion legislation in this direction at the earliest possible day is imperatively demanded by every substantial interest in the country, and its postponement upon any pretext of political expediency, or upon the assumption in advance that no satisfactory result can be accomplished, would be, to say the least, a very grave mistake.—JOHN G. CARLISLE, November 19, 1895.

WHY LEGAL TENDER NOTES MUST GO.

CHARLES C. JACKSON.

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WHY LEGAL TENDER NOTES MUST GO.

IMPORTANCE OF A RETURN TO SOUND FINANCE.

While we are waiting to see what answer the House of Representatives and the Senate will give to the President's request for currency reform, it is worth while to keep clearly in our minds a few of the facts of the financial situation and some idea at least of the importance and feasibility of a return to sound money.

In the first place, we certainly have now, and have had continually since about July 1, 1892, such anxiety about the maintenance of the redemption of our currency in gold as to greatly harass all business men and to seriously check investment and enterprise here on the part of our own and foreign capitalists.

This anxiety would have no existence were it not for the Government notes which we have in circulation. Maintaining constant prompt redemption of these notes is a task for which the Treasury is utterly unfit. All the resources of the Government are pledged, and must be used if needed, to redeem these notes, but the sooner all of them are retired and cancelled the better it will be.

We have done wonders with our Government paper, having restored its redeemability after, in the stress of war, it had once been irredeemable. But we have since then followed in the course of other nations by increasing the quantity of the notes (contrary to everybody's confident expectation and intention) from $350,000,000 to $346,000,000,* and we have now got to the point where a little preference for gold is indicated by the way it goes out of the Treasury in return for paper and silver.

We know that most, and perhaps all, nations that have used paper money at all, have tried our experiment of using as legal-tender currency demand notes on which the government is the promissor. These notes have always been defaulted. No such paper except ours is at par to-day in the whole world. All the intelligent nations have abandoned the effort and substituted metal as the only legal tender, and now have all their paper issued by banks. The Bank of England notes form no exception to the rule. They are so guarded as to be similar to gold certificates rather than notes. They are not legal tender by the Bank to pay its debts in any case, and they utterly cease to be legal tender for any purpose by anybody whenever their convertibility into gold on demand ceases; so that their fall below par does not affect the value of contracts to pay lawful money. Of course, too, these notes are issued by a powerful bank, with huge capital and deposits—not by a government treasury which has neither capital or deposits. It is certain, therefore, that we are using an antiquated and discredited form of currency and are neglecting the clearest and strongest warnings of experience.

PRACTICAL TROUBLES WITH PRESENT CURRENCY.

Now what are the practical troubles which we find in the present situation, and why do we think a reform of the currency, and that only, will cure them?

Fear of Repudiation.

First, the use, as legal tender standard money, of greatly overvalued silver coins and of promises to pay gold, makes everybody fear that contracts to pay lawful money will be practically repudiated—in part at least; that their value will be greatly reduced some day by a temporary failure on the part of the Government to redeem these promises to pay gold, and by a failure to maintain the parity between

* It is a mistake to consider that the silver certificates should not be included with the greenbacks and treasury notes on the ground that they are not payable in gold, and that there is no doubting that their redemption in silver is perfectly safe. Since duties can be paid in them they prevent gold from flowing it to the treasury just as an equal number of greenbacks and treasury notes do. Also, since they can be used as reserves by the banks, they have about as much effect in inflating the currency as the same number of greenbacks and treasury notes do. Moreover, since it is the declared policy of the Government to keep silver dollars at par with gold dollars, and since, if this policy were not successfully adhered to, gold would of course be at a premium and a run on the treasury would ensue, it is reasonable to suppose that the silver dollars, into which the silver certificates are convertible, help to produce distrust of our currency, and to necessitate the holding of a gold reserve by the Treasury to as great an extent as an equal number of greenbacks or treasury notes would.

our silver and our gold coins. This fear is very natural in the light of the history of other nations. That it is not without foundation, too, is evident from the fact that beside our legal tender notes having been inconvertible and at a discount for sixteen years, one-half the whole period since they were issued, there has been here constant anxiety about them, twice culminating in panic, since July 1, 1892: and even in 1885 and 1886 we had some apprehension about them. Evidently, adopting gold as our only legal tender would remove this anxiety; and it is hard to conceive any other means which would establish confidence and permanently maintain it.

The results of the anxiety about our currency are far more serious than is generally remembered. The contracts payable in lawful money in this country are probably at least $25,000,000,000, and anxiety about these contracts, and about the new ones which must be entered on by anybody who undertakes a new enterprise, paralyzes our energies, curtails our industries, and lessens our incomes very seriously. In the last panic year the aggregate of the incomes of our inhabitants was reduced probably twenty per cent. at least, and to-day our incomes are probably ten per cent. less than they would be if this fear of partial repudiation did not hang over us. The total incomes of our people are somewhere about $12,000,000,000 per year, and ten per cent. of this is $1,200,000,000. This is the sum, then, which the use of overvalued silver and untrustworthy legal tender paper as standard money takes from us each year. The figures are so large that people are incredulous of this conclusion and are inclined to laugh at it. But there is no escape from the belief that it is true.

How ludicrous it is to be deterred from currency reform by the fear of being forced to spend $20,000,000 in annual interest on the bonds needed to retire our legal tender notes. The sum to be saved to us each year by this reform is $1,200,000,000. And this $20,000,000 that we fear to spend is less than two per cent. of the saving we can make.

Treasury Unfitted for Banking Business.

The second trouble which we find is that the Treasury, having been organized for ordinary business, like the treasury of any industrial corporation, has not the assets which a bank has from which to get the gold it needs when its notes are presented for redemption. And this same lack of assets prevents its having a ready control over the money market which banks always have. All solvent banks have constantly an amount of banking assets, that is, either cash or bills receivable, equal not only to all their liabilities, including both their deposits and the currency they have issued, but equal, besides their liabilities, to a substantial sum of money which the stockholders have put in as capital. These bills receivable bring into each bank a constant stream of money, and any bank by declining to loan so freely as usual can at any time dam up a part of this stream of money in its vaults, thereby tightening the money market, checking to some extent gold exports, and accumulating money to redeem its notes and deposits with.

For instance, the banks of our country have $5,000,000,000 banking assets, bringing them in a stream of money at the rate of between $25,000,000 and $50,000,000 per day. If the $850,000,000 demand liabilities which our Government now has out, were cancelled and our banks should issue $850,000,000 demand notes to take their place, the banking assets of our banks would be increased $850,000,000 by the bills receivable which they would get from the people to whom they would loan this currency, and the stream of money flowing into their vaults would be from $30,000,000 to $55,000,000 per day. This would be all gold, as there would be under our plan no other legal tender. How easy then for our banks to control the money market, check gold exports, and redeem all this currency even within a few days if the redemption of it all were ever demanded. The Treasury is like a bank in which the stockholders are liable for all its debts, and have bound themselves to put in ample cash capital whenever it is wanted, but in which no cash capital has yet been called up. The Treasury has no bills receivable, no promises of other people to pay it gold coming due from day to day. It can borrow gold by selling its own promises to pay. Even in times of emergency it can sell its bonds for

lawful money readily enough, for the nation's credit is kept very high by the honor and resources of the country But we have found that cannot easily get gold at such moments Last February we ran in our panic to foreign bankers and paid them a huge bonus for gold because, apparently, we could not get it here Meantime our own banks with $5,000,000,000 banking assets and $170,000,000 gold, and while several other hundred millions of dollars of gold were floating in the country, stood paralyzed If our Treasury were managed by financial experts even the cumbersome and awkward method of controlling the money market and accumulating gold by the sale of bonds would be so availed of as to make the situation tolerable But Congress and the public control the Treasury, and will not allow proper management of it

To look at it from another point of view. We long ago decided in this country that industrial and transportation corporations ought not to issue paper currency, and many were the examples of disaster that sprung from not acting in accordance with this decision. Now, the Treasury is merely a business concern. And what are its resources? It usually gets by purchase some gold that comes to it from the mines to be minted, but probably not enough to pay the interest on the Government debt. It has no steady stream of money flowing in, except from duties and internal taxes But all that comes from these sources is pledged already in payment for services and materials, and, moreover, none of it is now in gold, which is the only kind of money the Treasury can use for redemption. While the duties and other taxes were putting a great surplus of gold into the Treasury, and while at the same time exports of gold were small, no anxiety about redemption arose. But now it has become clear that the Treasury is dependent for its gold supply on favorable conditions of business, and it is utterly helpless in the matter when these conditions are adverse.

Our troubles come from issuing as currency Government notes direct to the public and thereby forcing the Treasury to try to perform the functions of a bank of issue, without giving it the assets and powers of such a bank.

If the Treasury had a great capital and had attracted deposits by paying interest on them so that the total amount of funds at its disposal was $2,100,000,000, this amount would bear about the same relation to the currency it must protect as is the case with the Bank of England. I doubt whether it would even then have as much control over the money market as the Bank of England does. The National and State banks in this country have $5,350,000,000 capital, surplus and deposits—which gives them nearly two and a half times the resources above suggested for the Treasury.

Again, every good bank has all its capital, and its surplus, and its deposits, and the business paper bought with the currency it has issued—it has all this property in the form of quick assets, and so arranged as to bring to it a constant stream of ready cash available for the redemption of its liabilities. Every bank by this method binds by contract a large number of honest and successful people to supply it with the cash it will need at the times when it will need it. The Treasury, on the other hand, instead of securing its money beforehand by contract, trusts to being able to borrow money when it shall want it. And what is still worse, it debars itself from adopting any sure means of getting the kind of money it wants—that is, gold—by agreeing to always over its counter give gold for its owu notes. We have learned how serious a difficulty this is. Attention is so concentrated on the reserves of the banks and the reserve of the Treasury that people somehow seem to lose sight of this fundamental difference as to the assets of the two.

It is certain that if one great bank, or many little banks, had the duty of redeeming their paper in gold thrown on them, they would easily get the needed gold from their bills receivable. It would come in according to the promises of the business community to whom it had been lent; and it is difficult to imagine any resource that will take the place of these promises (bills receivable). That is to say, if we do not relieve the Treasury of the duty of redemption we must, in order to be safe, turn it into a solvent bank by giving it funds to the amount of, say, one-third more than its demand liabilities—that is about $1,100,000,000—and by providing by law that it shall keep all these funds within reach, either in the form of cash in its vaults, or else loaned out to responsible

borrowers. But if the Treasury once received these funds—in gold, of course—it would be far wiser to use them to pay off its demand notes at once than to carry on a banking business.

Control of our Paper Currency by Congress.

The third trouble is that direct control over the Treasury and over the issues of our paper currency—legal-tender notes and silver certificates—is held by Congress.

The figures herewith show that in the last eight years we have annually exported on the average $35,000,000 more gold than we have imported, while in the previous ten years we had annually imported, on the average, $22,000,000 more gold than we exported.

Year Ending June 30.	Total Exports of Gold Coin and Bullion.	Excess of Exports or Imports.		Circulation Per Capita July 1.
		Merchandise.	Gold.	
1879	$4,587,614	Exports, $264,661,666	Imports, $1,037,334	$15 75
1880	3,639,025	" 167,683,912	" 77,119,371	19 41
1881	2,565,132	" 259,774,718	" 97,406,127	21 71
1882	32,587,880	" 23,902,683	" 1,789,174	22 37
1883	11,600,888	" 100,658,188	" 6,133,261	22 91
1884	41,081,957	" 72,815,916	Exports, 18,250,640	22 65
1885	8,477,892	" 164,062,426	Imports, 18,213,804	23 02
1886	42,952,191	" 44,088,694	Exports, 22,208,812	21 82
1887	9,701,187	" 23,863,443	Imports, 33,299,414	22 43
1888	18,376,234	Imports, 28,092,667	" 25,558,088	22 88
1889	59,952,285	" 2,730,277	Exports, 49,667,447	22 52
1890	17,274,491	Exports, 68,518,275	" 4,231,149	22 82
1891	86,302,654	" 39,564,614	" 68,130,087	23 41
1892	91,105,327	" 292,875,686	" 425,873	24 44
1893	108,660,844	Imports, 18,735,723	" 87,506,463	23 87
1894	76,578,061	Exports, 237,145,959	" 4,528,942	24 30
1895	66,131,183	" 75,732,942	" 30,981,449	22 96
Average, 1879-88	17,557,000	" 109,604,734	Imports, 22,006,708	.....
Average, 1889-95	66,510,661	" 86,053,066	Exports, 85,092,056	.....
Total, 1879-88	175,570,002	" 1,096,047,339	Imports, 220,067,086	.....
Total, 1889-95	465,574,843	" 602,371,467	Exports, 245,644,390	.....

As the average annual excess of merchandise exports over imports decreased to $86,000,000 in the last eight years from $110,000,000 in the previous ten years, evidently the tendency of gold to flow out was not caused mainly by withdrawal of capital from this country, because merchandise is as much capital as gold is, and just available for settling debts abroad. And the tendency of gold to flow away from our country during these eight years past was not caused by crops nor by tariffs, for this tendency was persistent; the exports exceeded the imports each year, while crops and tariffs changed backward and forward. The question is simply, Which are we most willing to part with, merchandise or gold? Whichever we value the less, compared with their relative values abroad, that we send. Since the figures here given show a great increase in the amount of currency per capita in circulation, it is fair to presume that we have persistently exported currency because this increase gave us more of it than we could use under the ordinary conditions of business. When the great increase in currency per capita first occurred, between 1879 and 1883, business and speculation were so active that we found use for this great quantity. But when business quieted down after the rampant railroad building and land speculation of 1887, we promptly began to export more gold every year than we imported, and have continued to do so ever since.

Now, the great increase in the volume of our currency is fairly attributable to the recklessness and ignorance of Congress, and of the public by which Congress is necessarily ruled. For many years Congress kept on creating new currency without any regard to the question whether the business of the country required it. Congress did not desire to learn about the question whether business wanted more currency, and probably did not have any idea how to get an answer to the question if it had wanted one. If all paper currency were issued by banks, its issue would be under the control of bank directors who are experts in finance, and they would be guided by a desire

to get interest on their issues, and therefore would not make the issues unless business demanded them and would pay proper interest on them. Moreover, if the currency issued by banks under a proper banking law became redundant, since it would not be legal tender, and would therefore necessarily be less valuable than gold, it would flow rapidly back to the issuing banks and be redeemed, and the redundance would be relieved. We have put Congress and the public in control of the Treasury in this most important respect, and we know well that Congress and the public are by training and habit incompetent to exercise such control. Both the neglect to sell bonds in proper season and the long-continued redundance of the currency are the fruit of their ignorance and recklessness in financial matters. Beyond everything else, it is essential to remove from the control of Congress the power of increasing and decreasing the volume of our paper money.

NECESSITY AND FEASIBILITY OF GREENBACK RETIREMENT.

It is not too much to say that the one great question about our currency system, around which cluster all our other currency problems, is whether or not the United States Treasury shall continue to issue paper money as a legal tender.

Our history and experience under the practice shows that it was born in unreason and dishonesty, and that it has cost us dear and plagued us sorely, giving aid and comfort to every fiat money scheme which has threatened and shaken our standard of value. It was with reference to the legal-tender legislation of 1862 that Chief-Justice Chase wrote these words in the Supreme Court decision in the case of Hepburn *vs.* Griswold:

"The legal-tender quality was only valuable for the purpose of dishonesty. Every honest purpose was answered as well or better without it."

Now let us see how the United States notes—which constitute by far the larger part of our currency other than gold coin—fulfill our currency requirements. These notes are our standard money, since they are legal tender for debts. But considered as standard money they are terribly imperfect, for, like air and water, they have no intrinsic value, though they are very useful. They cost nothing to produce, and are created by the mere votes of Congressmen, and these votes are not even controlled by wise judgment. While through all history men have searched about and tried one material after another in their efforts to find something whose intrinsic value was sufficiently stable to use as standard money, we here in this enlightened country have thrown to the winds all this experience and have passed laws which compel the use as standard money of something which has no intrinsic value.

But it is said, although United States notes are standard money, because they are legal tender, they are also credit currency, and are excellent because they are backed by the promise of the Government, and are therefore as good as gold. Well, considered as credit currency, how fully have they the requisite characteristics? The experts say, and a little thought and investigation must convince everybody of its truth, that in order to be good, currency notes must have such qualifications and be issued under such a system as will insure their frequent prompt and easy redemption. The reason for this is that, if the notes are frequently sent back for redemption to the banks that issued them, the issuing banks must always keep strong in order to redeem, and only as many of the notes can be outstanding as the demands of business keep pulling out again from the banks, and hence that notes so treated will never cause a serious redundance. Is the frequent, prompt and easy redemption of our legal-tender notes well assured, so that they may not cause redundance? Why, no; far from it. For a long time they were hardly redeemed at all, because they were as good as gold for every purpose in this country, and the banks willingly supplied all the gold that was wanted for export. During that time their volume was so increased that they became very redundant. And ever since early in 1892 there has been considerable demand for their redemption to get gold for export, which the banks have declined to furnish. We perceive, therefore, that their frequent redemption cannot be carried on without draining the Treasury of gold, or

without taking away that very confidence in the stability of the intrinsic value of our standard money which mankind has been so long struggling to create.

Our importers of merchandise pay into the Treasury no gold for duties, the managers of our banks will not give their depositors any gold, and foreign investors are very slow to buy our securities. They are evidently all of one mind in regard to the demand liabilities of our Government. By their action they say that our Government has abused its power to issue paper currency to a point where it has become doubtful whether that currency will always be redeemable in gold.

The following quotation from President Cleveland's last message to Congress shows as clearly as possible how serious has been the withdrawal of gold during the last five years: "That between July 14, 1890, the date of the passage of the law for an increased purchase of silver, and the first day of December, 1895, or within less than five and one-half years, there was withdrawn nearly $375,000,000, making a total of more than $403,000,000 drawn from the Treasury in gold since January 1, 1879, the date fixed in 1875 for the retirement of the United States notes."

In the face of these facts, and of the persistent export of gold, it is idle to deny that distrust and redundance of our currency are to-day doing us great harm, and that nobody can guess what is to be the outcome.

Gold Easily Obtained to Replace Currency Withdrawn.

On the other hand, if we choose to cancel our legal tender paper gradually—say at the rate of $50,000,000 per year—we can easily get gold enough to make good the loss of currency so caused, even without any purchase of gold by the Government. Our mines are now producing at least $30,000,000 of gold per year beyond what is used in the arts. In the ten years between July, 1878 and 1888, we imported $220,000,000 more gold than we exported, or $22,000,000 per year. This import of gold was effected without any unpleasant contraction or depression in business, although the annual production of gold in the world was then only about half what it is now; and the gold piled up unused in foreign banks was then far less than now. In fact we all consider those years to have been extremely prosperous, perhaps the most so of any that we have ever had. During the past five years the great foreign banks have added $554,000,000 gold to their stock, and apparently the banks of France and England alone have to-day somewhere near $150,000,000 gold beyond what they would ever desire to hold as reserve against liabilities.

Another indication of the ease with which we could get from abroad this $22,000,000 of gold per year—which we might possibly need to add to our $30,000,000 annual gold product in order to fill the place of the $50,000,000 legal-tender notes which we propose to cancel each year—is the fact that between 1851 and 1870 France added something like $1,000,000,000 gold, or $50,000,000 per year, to her stock, although these years were a period of rising prices and of great business activity in Europe and here, and although neither the plethora nor the annual product of gold was nearly as great as now.

CANCELLATION OF LEGAL TENDERS THE REMEDY.

It is hard to see any way in which the present excess of currency can be cured except by cancelling legal-tender notes. Our national banks, too, have of late done their share in increasing the redundance of the currency. Unfortunately the present national banking system puts a great temptation before capitalists to buy bonds and issue currency in order to get double interest when money loans so very cheap as now. And on this account, in the four months between March 5 and July 11, 1895, $9,000,000 was added to the outstanding bank currency, although money was very cheap and exports of gold were prevented only by main force. This temptation does not exist when money commands a good rate; but so long as the fear of repudiation paralyzes our energies, money will not command a good rate. So, unless our national banking laws are changed, the increase of national bank currency must proceed and must continue to drive gold out of the country. The fact that our national bank currency is for some purposes legal tender and also that its excellence is not at all dependent

on the management of the banks by which it is issued, since it is secured by a first lien on all the assets of the banks and by pledge of Government bonds, prevents its flowing rapidly back to the issuing banks for redemption and helps the redundance.

The idea that, by accumulating legal-tender notes in the Treasury by sale of bonds, we produce a radical cure of our currency redundance is shown to be absurd by the action of our former Congresses in appropriating for all sorts of extravagances all the money the Treasury had or could be expected to get. Congress will never allow a great accumulation of legal-tender notes in the Treasury. The only sure cure for redundance is to create confidence and hence business activity, by cancelling the legal-tender notes.

We can easily buy gold abroad by the sale of low interest-bearing gold bonds at the rate of $100,000,000 a year when once we have started on the road to currency reform, and thereby have regained the confidence of foreign investors. With this gold we can replace our silver and legal-tender paper, dollar for dollar. Or we shall be perfectly safe from unpleasant contraction by moving more slowly, buying and cancelling say $50,000,000 legal tender paper or silver each year, and allowing gold to flow in from abroad and new bank notes to be issued to fill the vacuum created.

Other Aids to Retirement.

We need have no fear of contraction, then, if we decide to gradually cancel our legal-tender paper, even though we do not provide any new mode of issue of bank paper.

We probably should not need to import any gold, but would get enough from our annual product, for the proportion of legal-tender currency to non-legal-tender currency to-day in this country is far greater than is needed; and, doubtless, a great deal of new bank currency would be issued under our present laws, if a demand arose for it and would be just as useful for our purposes as legal-tender notes. There is undoubtedly also a great deal of gold hoarded in the country at present, and this would be brought into circulation. Another source of help to our gold supply would unquestionably be the sending by Europeans of a great mass of foreign capital to this country for investment as soon as we set out on the path of currency reform.

But something further will still remain to be done. The people in a large part of the country cannot afford to use as much metallic currency as they need for the proper facilitation of their exchanges. They want plows, shoes, etc., too much to be able to lock up their capital in currency, since it will not serve for tools nor for either of the four great primary wants of man, namely, food, fuel, shelter and clothing. Far less can these people afford to take out currency under the National Banking Act. That act compels the locking up of some twenty per cent. more capital than the amount of currency issued. The increased rate of interest, which tempts capitalists, who can get only three per cent. for money, to avail themselves of that act, is no temptation to these poorer people among whom interest is very high, and to whom the loss of interest on the extra capital locked up is a very serious matter. Nor is it so much a question of the rate of interest with them. It is a real absence of floating capital that they suffer from; and they ought to be allowed to issue currency from their banks on conditions which do not involve the locking up of so much capital. What regulations should be imposed on these banks is a proper subject for careful investigation by a commission of experts.

WHAT ACTION SHOULD BE TAKEN.

On this point I submit the following, which has already received the approval of many of those in whom I have confidence:

To the Honorable Senate and House of Representatives:

We have greater producing capacity, man for man, than any other country, and better opportunities in our climate, soil and mines. Therefore, all we need to give us the industrial supremacy of the world is the policy of using for standard money currency that commands the full confidence of everybody—that is to say gold—and for representative money only bank notes issued under the best laws.

Our using for standard money greatly overvalued silver, and notes issued by a department of the Government, has always caused some distrust.

For the past eight years we have had in circulation too much currency issued by the Government—more than we could economically use—and therefore in each of those years we have exported more currency (gold) than we have imported, to the average extent of $35,000,000 per year; and we are even now still exporting gold, although at this season we ought to import it. For more than three years past all the gold for export has been taken from the Treasury, while almost none of that imported had come into the Treasury.

The result now is that fear lest our paper and silver be not maintained at par with gold causes great anxiety as to the value of the $25,000,000,000 contracts payable in this country in lawful money. This fear and this anxiety paralyze our energies, curtail the consumption and production of commodities and the interchange of services, and reduce the aggregate incomes of the people of this country by probably as much as ten per cent., which is at least $1,000,000,000 per year.

The gold hoarded in this country, the accumulations of idle gold in Europe, and the rapid increase in the gold production of the world make it perfectly easy for us to replace with gold all our paper and silver legal-tender currency at the rate of $100,000,000 per year. That gold will flow here freely in accordance with the laws of trade when once we begin on the reform of our finances must seem clear to any one who studies the experience of France between 1851 and 1870, and of our own country between 1878 and 1888, when gold was much less plentiful in the world than it is now. And the banks will only too gladly issue additional currency if any good use can be found for it. On the other hand, under a good banking system it would be impossible for the banks to inflate the currency beyond the needs of business, because any excess would be promptly presented to them for redemption in gold.

We respectfully ask that you will adopt legislation under which the Secretary of the Treasury shall be authorized and directed—

First, To keep his gold-reserve and note-redemption transactions separate from the other receipts and outgoes of his department, and never to use for appropriations and expenses notes which have come into the Treasury for redemption in gold.

Second, To sell abroad for gold, at his discretion as to times and amounts, Government bonds payable in gold, and with the gold so procured to redeem the United States Treasury notes of 1890 as rapidly as he deems prudent and possible, and to cancel and destroy all notes so redeemed.

We also respectfully ask that you appoint a commission of experts and give them power and authority to make a thorough study of the banking systems of the world, and of the conclusions of other experts, and to report in January, 1897, such changes as they deem desirable in our banking laws.

If not, why not?

Appendix.

Per Capita Circulation in the United States.

1800....	$4 99	1839 ..	$13 26	1851...	$13 76	1863...	$17 84	1875...	$17 16	1887...	$22 45
1810....	7 60	1840...	10 91	1852...	14 63	1864...	19 67	1876...	16 12	1888...	22 88
1820....	6 96	1841 ..	10 59	1853...	15 80	1865...	29 57	1877...	15 58	1889...	22 52
1830....	6 69	1842...	9 02	1854...	16 10	1866 ..	18 99	1878...	15 32	1890...	22 82
1831....	7 04	1843...	7 87	1855...	15 34	1867...	18 28	1879...	16 75	1891...	23 41
1832 ...	8 64	1844...	8 68	1856...	15 16	1868...	18 39	1880...	19 41	1892...	24 44
1833 ...	8 60	1845...	8 95	1857...	15 81	1869...	17 60	1881...	21 71	1893...	23 85
1834....	8 64	1846 ..	9 43	1858...	13 78	1870 ..	17 50	1882...	22 57	1894. .	24 30
1835....	9 86	1847...	10 59	1859...	14 35	1871...	18 10	1883...	22 91	1895...	23 96
1836...	13 17	1848 ..	10 66	1860...	13 85	1872...	18 19	1884...	22 65		
1837....	13 87	1849...	10 34	1861...	13 98	1873...	18 04	1885...	23 02		
1838 ...	12 33	1850...	12 02	1862...	10 23	1874...	18 13	1886...	21 82		

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